

Supporting Interlibrary Loan and Direct Loan Services in California's Multitype Library Environment by Himmel and Wilson Library Consultants

OPTIONS AND RECOMMENDATIONS

The consultants propose three options for reimbursement/compensation that should be considered by the Board:

1. Transaction Based Reimbursement (essentially what is in place currently)

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| Pros: | <ul style="list-style-type: none">• Is fair• Increases or decreases based on actual activity• California has proved that a large-scale transaction based reimbursement program can work | Cons: | <ul style="list-style-type: none">• If not automated, cost of record-keeping can eat up much of compensation• Actual cost of transactions can vary significantly• Long-term costs are difficult to estimate |
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2. Base Payment for Participation with an Option for Transaction Based Reimbursement (provides a base payment of some sort for participation in a loan program; transaction based reimbursements are then provided only to those libraries that exceed a predetermined threshold of level of imbalance)

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| Pros: | <ul style="list-style-type: none">• Immediate incentive for all libraries to participate – everybody gets something• Resulting higher participation rate makes the program more universal and easier for public to understand and access• Increase in use by public helps build constituencies for ongoing/increased support• Reduces record-keeping effort and allows more of compensation to be used for improving library services | Cons: | <ul style="list-style-type: none">• Some libraries receive payment for doing little or nothing• Reduces the dollars available for transaction based payment• Less financial incentive for libraries to promote interlibrary/direct loan services, since many libraries receive payment regardless of transaction volume• Lack of adequate funds to reimburse high volume lenders discourages their support of the program |
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3. Purchase of Services or Products in Lieu of Transaction Based Reimbursement (libraries are compensated for interlibrary/direct loan services with access to products and/or services such as licenses to electronic databases)

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| <p>Pros:</p> <ul style="list-style-type: none"> • By aggregating demand, LoC could reduce overall expenditures for information resources while extending public access • Protects library resources from local budgetary pressures • Greatly reduces record-keeping burden • Reduces the need for certain kinds of interlibrary loan by providing a high level of access to alternative sources of information | <p>Cons:</p> <ul style="list-style-type: none"> • Probably requires a multi-tiered program to ensure that large libraries that are net lenders receive a benefit commensurate with their contribution to statewide resource sharing • May be impossible to find any one product that would serve all California libraries and their users well • Flexibility in choosing products and/or services probably would be required. |
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The consultants recommend that:

- California should expand the current transaction based reimbursement program to include all types of libraries as described in the Library of California Act.
- The Library of California Board should request funding for the loan programs based on an estimate of reimbursable transactions plus 10% for innovative resource sharing projects.
- California should distribute the funds generated by applying existing formulae directly to participating libraries. If the appropriated amount falls short of the funding required, the “plus 10%” will assist in making up the shortfall. Any surplus of appropriated dollars (including or above the “plus 10%”) should be distributed to regions to be used for innovative resource sharing projects.

It would be very difficult for California’s public libraries to move too far away from a transaction based reimbursement plan; also, there is considerable support for that kind of compensation program from the academic community. California has demonstrated that it can make a large-scale transaction based reimbursement program work. The Library of California loan compensation program should be, at least in part, transaction based. The consultants believe that reserving a portion of the allocation for developing innovative technology-based methods of resource sharing is justified, because these projects have the potential for improving services to the public while reducing both the number of interlibrary loan transactions and the cost of both interlibrary loan and direct loan transactions. Decisions on the type of innovative programs to pursue should happen at the regional rather than at the state level, because of the significant regional differences that exist in California.

The consultants' estimates of the costs for a transaction based reimbursement system (not including the "plus 10%) are:

Fiscal Year	Low-End Estimate		High-End Estimate	
	Cost	Number of libraries participating	Cost	Number of libraries participating
FY 2000/2001	\$17,100,000	3,000	\$21,250,000	4,500
FY 2005/2006	\$28,991,236	3,829	\$53,196,261	7,247